

Wiretap Probe Hearing IRS' Boston Chief

By PHILP SHANDLER
Star Staff Writer

The Boston director of the Internal Revenue Services, following in his boss' footsteps, was to be the first witness today as Senate probers resumed hearings on the tax agency's investigative procedures.

The Boston official, Alvin Kelley, had been scheduled to be questioned later this week by the Senate subcommittee on Administrative Practice and Procedure. But over the weekend he asked instead to lead off testimony today, according to Bernard Fensterwald Jr., subcommittee counsel.

A similar request was granted to Revenue Service Commissioner Sheldon S. Cohen last Monday, when the inquiry of his agency began, and he went on to admit several cases of wiretapping by IRS intelligence agents in the Pittsburgh area, in violation of agency regulations.

Cohen testified that he had not known of the violations until they were brought to his attention by the subcommittee's investigators.

Fensterwald said this morning the subcommittee has evidence of similar "harassments" in the Boston area, but declined to elaborate.

One thing the subcommittee will seek to determine this week, he said, is the extent of control district directors have over the intelligence agents.

In addition to Kelley, seven agents under his supervision were scheduled to be questioned today by the subcommittee, headed by Sen. Edward V. Long, D-Mo.

Later the subcommittee will question several Boston businessmen about their relations with the Revenue Service.

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Probers Demand Data On Bugging by IRS

By PHILIP SHANDLER
Star Staff Writer

Internal Revenue Service Commissioner Sheldon S. Cohen today faced a challenge to either let Senate probers see confidential affidavits given him by undercover agents or make a command appearance himself.

The choice was posed yesterday by Sen. Edward V. Long, D-Mo., as his Judiciary subcommittee ended the second day of hearings on IRS activities in the Pittsburgh area.

Two special agents and the head of the Intelligence Division in Pittsburgh provided new details of wiretapping and other "snooping" activities.

But they refused to supply names and places Long considered essential to a thorough investigation. And they raised new questions with testimony indicating that:

—The Washington headquarters has been teaching wiretapping and supplying wiretap equipment to its field offices despite a long-standing regulation against wiretapping. Cohen said Tuesday that he had only recently learned of wire tapping by agents in Pittsburgh.

—U. S. tax agents in Pennsylvania have ignored laws against wiretapping and breaking and entering in their zeal to obtain information about suspected lawbreakers in the fields of gambling and vice.

—Pittsburgh agents have "bugged" rooms that could yield personal information about ordinary citizens as well as about possible racketeers.

1961 Case Cited

The Pittsburgh intelligence chief, Cresson O. Davis, told the national office in 1961 that Special Agent Burke Yung helped install a telephone tap in the home of a gambler in the Washington, W. Va., during an investigation of a possible "payoff" operation for gamblers in New Kensington, Pa.

"Why do they have experts in wiretapping if they have a regulation against it?" Long asked.

"I'm not qualified to say," Davis replied.

Yung also brought the equipment used in the tapping of three telephone lines last year, Davis said, when his office when observing reputed attempts to turn money from numbers racketeers.

Davis refused, however, to give Long the name of the person whose lines were tapped.

"Is he a policeman by the name of McDonald?" asked subcommittee counsel Bernard Fensterwald Jr.

Davis said he could not answer because a directive issued by Cohen on Monday barred testimony that could jeopardize the rights or security of agents or citizens not previously named in proceedings of record.

Long at that point unexpectedly recessed the hearing and summoned Cohen to appear. When the afternoon session opened he announced that an understanding had been reached, and that Davis would testify more fully. But the afternoon testimony moved the senator to call for elaboration today.

Secret Microphone

Long wanted to know, for example, why a secret microphone installed in a revenue service office in Pittsburgh in 1961 could not be used to overhear conversations between a taxpayer and his counsel.

"We've never done that," Davis said. "We've never used it for ordinary citizens."

But he acknowledged that the room was used to question ordinary citizens and criminal suspects alike.

Long was even more struck by agents' description of how the law office of the late Vincent Massock of Washington, Pa., was "bugged." Massock was suspected of having connections with the Cosa Nostra, Davis said.

Special Agent Jack Schwartz testified that he got a pass key from the building superintendent on the pretense of wanting to get into another office which the IRS had rented.

He made a "fast impression" of the key in clay, had a copy made, used it to enter the office at night and — again with the

help of agents from Washington — attached a small microphone to a bookcase.

Admits Violations

Schwartz acknowledged that he had violated both the state law against wiretapping and the breaking-and-entering statutes. But he declared:

"Those of us in the organized crime drive felt proud to be in it. Anything that would have been asked, I would have done it."

Ironically, the "bug" fell face down and was swamped with noise from Muzak and an air conditioner, Schwartz said. About two weeks later, agents again entered the office to remove it, he said.

The two agents' testimony aroused Sen. Hugh Scott, R-Pa., who is a member of the parent Senate Judiciary Committee.

"How do you justify violating the constitutional rights of a person and the attorney-client relationship?" he asked.

Davis replied that any "incidental" information picked up by the microphone would not have been used.

The two agents, as well as Special Agent William D. Marsh and a clerk from the Pittsburgh office, Dante Amobile, described the wiretap use of a truck painted to look like a telephone repair vehicle.

According to their testimony, a discarded Bell Telephone Co. truck was bought from a used-car dealer with \$300 supplied by the national office. The one-ton vehicle was originally obtained for surveillance, but last year was used once in wiretapping.

In that case, a "wireless bug" was attached to a telephone line leading to an unidentified person's home. The messages overheard were recorded at Davis's home, he said. The bugging was in connection with the investigation of Lawrence Maloney, a Pittsburgh police official recently acquitted of tax evasion, Davis said.

Davis said he "had heard" of two similar trucks being used by the IRS elsewhere.

And he testified that before the truck was used in the Pittsburgh wiretapping it was borrowed by the Philadelphia office for an undisclosed purpose. Long said all this indicated to him that wiretapping has been more prevalent than the top officials have admitted.

Marsh refused to say who gave him the technical information needed to know which lines to tap.

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Wiretaps Excess Zeal, IRS Chief Tells Senate

By the Associated Press

WASHINGTON (AP)—Internal Revenue Commissioner Sheldon S. Cohen said today that special agents may have "overstepped prescribed bounds" in four tax evasion investigations.

Cohen named no names, but said all four cases were in the Pittsburgh area and involved use of wiretaps and a "bug."

He said these were "four cases where devoted and courageous agents acted in a misguided and unauthorized effort to abate some of the terror of organized crime."

The commissioner said he had ordered a more complete investigation of the four cases, and that he had written all IRS agents.

"So that no misunderstanding exists — the use of illegal wiretaps is unconditionally prohibited, as is a deliberate making of an unreasonable search or seizure."

"The prohibition includes the use of information obtained by anyone, government or private, through wiretaps."

Testimony for Senators

Cohen told of the Pittsburgh cases in testimony prepared for the Senate Judiciary subcommittee on administrative practice and procedure.

The cases, Cohen said, involved "a suspected kingpin gambler and wagering tax violator," "the suspected prime

mover in an alleged conspiracy having nationwide racketeer overtones," "a suspected participant in alleged large scale corruption of public officials" and "the suspected ringleaders of local vice."

Cohen said his agency had completed 3,130 investigations in the rackets area during the last 4½ years, and recommended prosecution in 2,452 of them.

Convictions have been won in 1,214 of these cases, he said. Many others are still pending in the courts.

Cohen said 60 per cent of all convictions in the organized crime area had been triggered by IRS investigations.

Policy Set Out

Nonetheless, he said, "Internal Revenue Service policy categorically repudiates any practice or procedure which goes beyond what the Congress and the courts allow."

In addition, Cohen said the service had found it can do the best job under its primarily voluntary compliance structure "by avoiding action which, while within the law would be viewed by the public as overly offensive."

As examples of techniques which are legal but have been outlawed by the service, he cited two-way mirrors and the use of concealed electronic transmitters in quarters occupied by the IRS.

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UPI-160

(SNOOPING)

WASHINGTON--THE WHITE HOUSE TODAY EMPHASIZED THAT WIRETAPPING BY THE INTERNAL REVENUE SERVICE INVOLVED CASES LONG BEFORE PRESIDENT JOHNSON ISSUED A DIRECTIVE BANNING ELECTRONIC SNOOPING BY THE GOVERNMENT EXCEPT UNDER CERTAIN CONDITIONS.

ACTIVITIES OF THE IRS ARE UNDER SENATE INVESTIGATION ALONG WITH SIMILAR FORMS OF ELECTRIFIED EAVESDROPPING BY INDUSTRY AND PRIVATE INVESTIGATORS.

REPORTERS TODAY QUESTIONED WHITE HOUSE PRESS SECRETARY MOYERS ABOUT THE RELATIONSHIP OF THE PRESIDENT'S POLICY TO IRS CASES.

MOYERS FIRST RESTATED THE JOHNSON POLICY:

SHORTLY AFTER JOHNSON BECAME PRESIDENT, HE MADE KNOWN WITHIN THE GOVERNMENT THAT HE CONSIDERED WIRETAPPING "INCONSISTENT" WITH THE PURPOSES, AIMS AND IDEALS OF THE GOVERNMENT.

AFTER STUDYING THE WHOLE FIELD OF ELECTRONIC SNOOPING FOR SOME TIME, JOHNSON ISSUED A DIRECTIVE ABOUT FIVE WEEKS AGO BANNING WIRETAPPING AND ELECTRONIC SNOOPING BY ANY UNIT OF THE FEDERAL GOVERNMENT UNLESS THE CASE INVOLVED NATIONAL SECURITY AND ONLY AFTER SPECIFIC APPROVAL BY THE ATTORNEY GENERAL.

MOYERS ALSO POINTED OUT THAT THE FOUR IRS CASES WHICH FIGURED IN THE SENATE INVESTIGATION TOOK PLACE IN 1961, 1962, 1963 AND 1964--ALL BEFORE JOHNSON STATED HIS POLICY EVEN INFORMALLY.

MOYERS SAID THE EFFECT OF THE DIRECTIVE FIVE WEEKS AGO WAS TO FORMALIZE THE ROLE OF THE ATTORNEY GENERAL, AS WELL AS THE OVERALL POLICY. MOYERS ALSO SAID THE TIMING OF THE DIRECTIVE REPRESENTED THE FACT THAT JOHNSON DECIDED TO DO SOMETHING ABOUT THE SITUATION AFTER HAVING STUDIED IT FOR SOME TIME IN CONSULTATION WITH THE JUSTICE DEPARTMENT.

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WASHINGTON CAPITAL NEWS SERVICE

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Tax Chief Tells Probe He'll Discipline Agents

By PHILIP SHANDLER
Star Staff Writer

Internal Revenue Service Commissioner Sheldon S. Cohen promised Senate probers today to "rearrange" his operations to insure safeguarding of taxpayers' rights against invasion of privacy.

In a command appearance before a Senate Judiciary subcommittee investigating surveillance techniques, Cohen said he learned only recently of the violations of Revenue Service regulations by agents, which were brought out in testimony yesterday.

He said he did not condone the violations and "appropriate punishment will be meted out" as soon as he completes an investigation.

Until that investigation is completed, Cohen said, he could not let the senators see copies of confidential affidavits on agents' undercover activities which were given to him by the agents.

Sen. Edward V. Long, D-Mo., subcommittee chairman, had demanded at the close of yesterday's hearing that Cohen either supply the affidavits or appear before the committee to explain the agents' activities.

Cohen, who became commissioner last January, said he already had determined that the policy violations were a result of an internal organization that permitted agents assisting the Justice Department's organized crime drive to operate "out of the control."

Cohen said he has since ordered the Revenue Service's regional directors to assume full responsibility for the activities of all agents in their regions.

But to provide the senators with copies of the agents' confidential statements to him could be "quite disruptive" to the investigation, Cohen added.

In other testimony, Anthony (Tony) Grosso, who said he had \$13 million-a-year numbers business in Pittsburgh until last year, told the subcommittee he had been informed by a police official that his telephone was tapped. He did not know who made the tap, however, he said. In yesterday's hearing, special agents and the head of the intelligence division in Pittsburgh gave the committee new details on wiretaps acknowledged earlier by Cohen. They stated that:

—The Washington headquarters has been teaching wiretapping and supplying wiretap equipment to its field offices despite a long-standing regulation against wiretapping. Cohen said Tuesday that he had only recently learned of wiretapping by agents in Pittsburgh.

—U. S. tax agents in Pennsylvania have ignored state laws against wiretapping and breaking and entering in their zeal to obtain information about suspected lawbreakers in the fields of gambling and vice.

—Pittsburgh agents have "bugged" rooms that could yield personal information about "ordinary citizens" as well as about possible racketeers.

The Pittsburgh intelligence chief, Cresson O. Davis, told Long the national office in 1961 sent Special Agent Burke Yung to help install a telephone tap in Wheeling, W. Va., during an investigation of a possible "layoff" operation for gamblers in New Kensington, Pa.

"Why do they have experts in wiretapping if they have a regulation against it?" Long asked.

"I'm not qualified to say," Davis replied.

Yung also brought the equipment used in the tapping of three telephone lines last year, Davis said, when probing reputed attempts to extort money from numbers racketeers.

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